

Message Text

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E.O. 11652: NA

TAGS: ECON, JA

SUBJ: JAPAN'S EXPORT COMPETITIVENESS-MITSUBISHI STUDY

REF: A. STATE 184471 B. TOKYO A-570

1. MITSUBISHI RESEARCH INSTITUTE (MRI) IS CARRYING OUT CLIENT-FINANCED \$260,000 STUDY OF INTERNATIONAL COMPETITIVE FACTORS AFFECTING TWELVE BASIC INDUSTRY GROUPS THROUGH 1976, COMPARING JAPAN, U.S. AND WEST GERMANY. ACCORDING TO SUMMARY PUBLISHED BY MRI (TRANSMITTED REPAIR) FIRST STAGE OF PROJECT FINDS JAPAN HARDEST HIT BY RAW MATERIALS COST INCREASES AND LIKELY TO FACE HIGHEST WAGE INCREASES OVER NEXT TWO YEARS, WITH SOME CONSEQUENT WEAKENING IN COMPETITIVE POSITION OF ITS EXPORTS LIKELY. ON BASIS OF OUR EXAMINATION OF PUBLISHED REPORT AND EMBOFF DISCUSSION WITH AUTHOR, STUDY APPEARS TO CONTAIN PRUDENT AND SERIOUS ADVICE TO JAPANESE INDUSTRY RATHER THAN "CRISIS WARNING" FOR JAPANESE EXPORTS AS DESCRIBED IN SOME PRESS REPORTS.

2. MRI PROJECT DIRECTOR KIMIHISA SATO TOLD EMBOFF SOME 20 CLIENTS OF MRI (INCLUDING SEVERAL MEMBERS OF MITSUBISHI GROUP) EACH CONTRIBUTED 2 MILLION YEN (\$6,000) TO FINANCE STUDY WHICH BEGAN APRIL '74, WILL BE COMPLETED MARCH '75 AND IS EXPECTED TO FORM BASE FOR CLIENT FIRMS' OWN FURTHER RESEARCH EFFORTS. FIRST
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STAGE NOW COMPLETED EXAMINES COST FACTORS; REMAINDER WILL EXAMINE FACTORS IN WORLD DEMAND FOR PRODUCTS OF

JAPANESE INDUSTRIES.

3. RESPONDING TO EMBOFF QUESTIONS, SATO NOTED
THAT ASSUMPTIONS OF STUDY SUCH AS THOSE RELATING TO
WAGE AND PRODUCTIVITY PROJECTIONS ARE AIMED AT POINTING
UP RATHER THAN GLOSSING OVER PROBLEMS JAPANESE INDUSTRIES
WILL FACE. EVIDENT PURPOSE OF MRI PROJECT IS TO IDENTIFY, ON
BASIS OF PRESENT TRENDS, AREAS WHERE JAPAN'S COMPARATIVE AD-
VANTAGE MAY BE CHANGING AS MANAGEMENT TOOL FOR CLIENT
FIRMS WHICH CAN THEN TAKE SUCH ACTION AS THEY DEEM
APPROPRIATE IN INDUSTRIES CONCERNED. EMBASSY WILL CON-
TINUE TO FOLLOW PROJECT AND REPORT FACTS AS AVAILABLE.
HODGSON

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